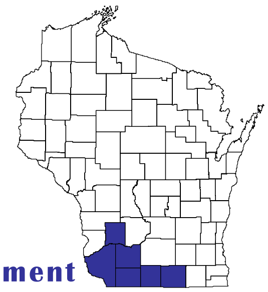
Workforce Observations



for the Southwest Wisconsin counties

Grant, Green, Iowa Lafayette, Richland and Rock

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Quick notes:

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Southwest Wisconsin Experiences Uneven Income Growth

Recently released figures from the U.S. Department of Commerce's Bureau of Economic Analysis show that per capita personal income (PCPI) in Wisconsin's six southwest counties rose from $27,091 in 2003 to $27,872 in 2004. (See table below, lowest line.) This amounts to 2.9 percent growth over the 1-year period, which was well below Wisconsin's PCPI growth of 4.9 percent. Proportional PCPI growth rates were quite high in Grant County (7.4%) and Lafayette County (9.9%); both started with relatively low PCPI in 2003 ($24,395 and $22,221, respectively).

PCPI decline is largely attributable to the $208 million dollar decline in durable goods manufacturing income. Despite slight declines in 2001 and 2004, Rock County's 5-year per capita personal income change was still a respectable 12.3 percent between 1999 and 2004. The area's next-lowest 5-year PCPI change was Green County's 18.1 percent.

On one hand, Lafayette County's PCPI has been lower than any other Southwest Wisconsin county's PCPI since 2000. On the other hand, the 1-year PCPI change was the area's largest in numerical terms

Personal Income for Southwest Wisconsin Counties

	Total Personal Income (x1000)	Per Capita Personal Income		Percent Change		2004
	2004	2004	2003	2003-04	1999-04	Rank
Wisconsin	$177,026,243	$32,166	$30,664	4.9%	18.5%	
Metropolitan Wis.	$135,269,947	$34,002	$32,516	4.6%	18.2%	
Non-metro Wis.	$41,756,296	$27,378	$25,840	6.0%	19.6%	
Grant	$1,299,955	$26,200	$24,395	7.4%	24.1%	44
Green	$1,050,423	$30,275	$28,684	5.5%	18.1%	23
Iowa	$685,873	$29,343	$27,547	6.5%	22.5%	27
Lafayette	$398,151	$24,429	$22,221	9.9%	19.2%	56
Richland	$452,357	$24,557	$23,705	3.6%	21.1%	54
Rock	$4,436,074	$28,399	$28,442	-0.2%	12.3%	33
Southwest	$8,322,833	$27,872	$27,091	2.9%	16.4%	

Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

Southwest Wisconsin residents reported $8.3 billion in total personal income and Rock County residents reported over $4.4 billion (or over 53 percent) of that total. With the region's largest population and third-highest PCPI, Rock County's PCPI decline (from 2003 to 2004) brought Southwest Wisconsin's PCPI growth down to 2.9 percent even though three of the region's six counties had PCPI growth over 6 percent. Separate figures from the Bureau of Economic Analysis show that Rock County's

($2,208) and fastest in proportional terms (9.9%). Looking at 5-year PCPI change (1999-2004), Lafayette's proportional change (19.2 percent) was faster than the area's overall rate (16.4%) and Lafayette's numerical change ($3,934) was very close to the region's overall numerical PCPI change ($3,926). In terms of 5-year change (1999-2004) Grant County posted the fastest proportional PCPI growth (24.1%) and the second-largest numerical growth ($5,085) in PCPI.

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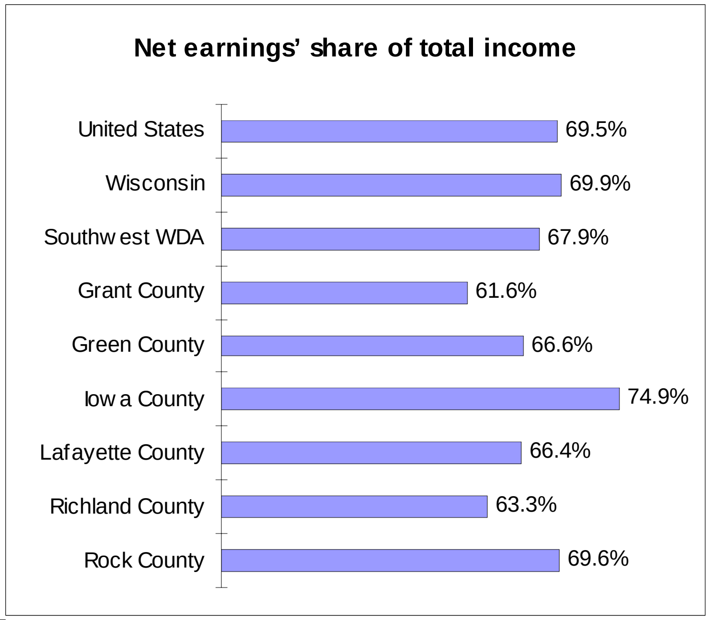
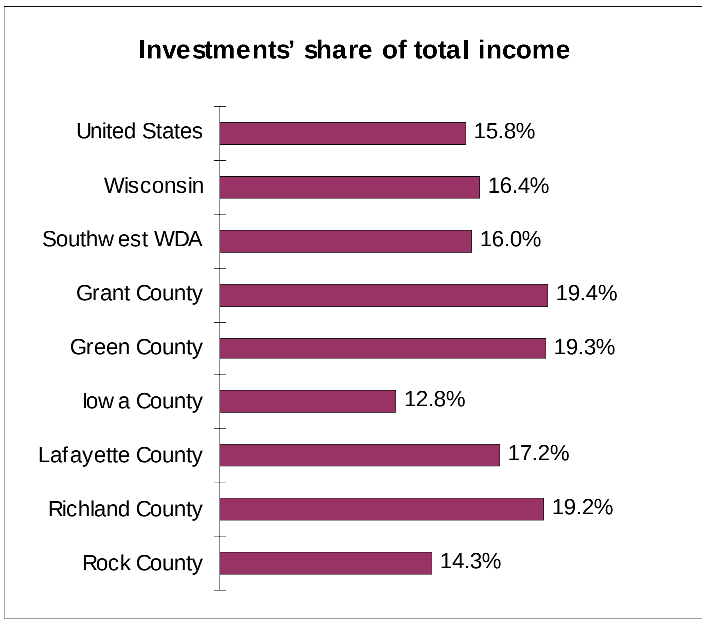
After asking how high income levels are and how much income has grown, it is instructive to ask where the income came from. The first category of income this newsletter will examine is net earnings, which is typically associated with employment or proprietorship. The graph to the right shows what share of total income in each area is attributable to net earnings. Green County may have a higher PCPI than Iowa County, but Iowa County's income is more weighted toward net earnings. This could make Iowa County's income stream more sustainable in the long run. Although workers and employers often rely on investment capital to make their work possible, the other two sources of income (investment income and transfer payments) would, in some sense, be impossible without net earnings.



Net earnings' share of total income

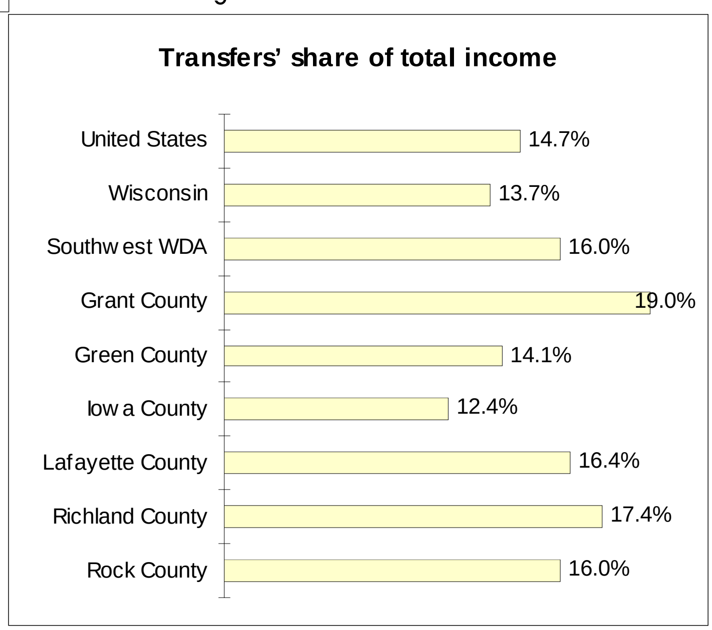
Investment income consists of dividends interest and rent, including most pensions (but not Social Security). When automakers and related employers offer early retirement, workers who accept the offer would move from the net earnings income stream to the investment income stream (assuming they do not seek other employment). This could shift the balance of income source in Rock County in years to come, but for now, the county continues to rely heavily on net earnings.



Investments' share of total income

Baby boomers have more income-generating assets than any previous generation. When they start liquidating their assets or spending down the principle, there is some question as to whether younger locals (particularly in rural areas) will acquire income-generating assets quickly enough to keep investment income going. Also, retirees who come to an area with paper assets may be more likely to move out than people who grew their assets locally or own bricks-and-mortar investments. This makes the savings and investment patterns of the younger generations all the more important.

Transfer payments such as Social Security and income support programs are subject to political winds and governments' fiscal constraints. As large numbers of baby boomers retire, areas with high concentrations of residents in that age cohort are likely to see some shift from net income toward transfers. Proposals to change formulas for transfer payments could have a more pronounced impact on areas like Grant and Richland counties that rely more heavily on those payments. Proposals to invest Social Security funds in private accounts would increase demand for investment assets, thereby raising asset prices to the benefit of residents with such assets. Meanwhile, the pay-as-you-go model would make it challenging to maintain historically normal levels and increase rates for transfer payments like Social Security. If benefit cuts accompanied privatization, residents who rely more heavily on transfer payments could see their income stream dwindle while residents with income-generating assets see their get a boost.



Transfers' share of total income

Each June, labor force estimates show us how students and other seasonal workers swell the labor force. It would be extraordinary for all these new entrants to find jobs as soon as they entered the labor force. The job search lag time results in unemployment rate increases in most counties in June.

The June unemployment rate increased in **Grant County,** but remained below its typical level. Construction employment estimates were a bit soft in the first quarter and firmed up in the second quarter. Manufacturing employment estimates rose in both quarters, but less than they did in the same quarters of 2004 and 2005. Information, professional & business services and other services employment estimates were relatively flat in 2005, started picking up in the first quarter of 2006 and kept their momentum in the second quarter.

In **Green County** the unemployment rate had been above its typical level in previous months and is now hugging the typical trend line more closely. Construction employment estimates showed a bit more pep in the second quarter than in the first quarter of 2006, but spring and early summer growth were not quite as heady as they had been in 2004. The leisure & hospitality employment estimate remains well above its year-ago level and appears to be stable there.

Second quarter unemployment rates in **Iowa County** were somewhat above their typical levels. This may seem to be a sharp contrast with the below-typical rates seen in the first quarter, but it is consistent with the county's rates in the third and fourth quarters of 2005. In the **Madison Metropolitan Statistical Area** (which includes Columbia, Dane and Iowa counties), construction employment estimates did not rise as quickly in the second quarter of 2006 has they had in the second quarters of 2005 and 2004. Retail trade employment estimates remain below year-ago levels as they have been for all of 2006 and did not perk up in the summer. The area's education & health employment estimates continue to grow at a moderate pace. The information, professional & business services and other services employment estimate grew 3,800 jobs or 6.3 percent between its second quarter 2005 average and its second quarter 2006 average. This constitutes over half of the 7,400 jobs added to the total non-farm employment estimate over that period. In particular, the professional & business services sub-sector (which includes temporary employment agencies) added 4,200 jobs or 12.5 percent between last June and this June.

For two of the second quarter's three months, **Lafayette County**'s unemployment rate was slightly below its typical level. Employment estimates for most industries are fairly close to trends seen over the last two years.

After three quarters below its typical level, **Richland County**'s unemployment rate did not fall as quickly as usual in the spring, so it is no longer below its typical level. Retail & wholesale trade employment estimates have been softer in the second quarter of 2006 than in the second quarter of 2005. Education & health employment estimates continue to grow at a moderate pace.

Rock County's unemployment rates remain below their typical levels. Retail trade employment estimates showed more spring in the second quarter of 2006 than they had in the same period of 2005 or 2004. Education & health employment estimates are at their lowest point since November 2004.

Southwest Wisconsin Unemployment Rates: Typical and Actual (not seasonally adjusted)

		Jun 2005	Jul 2005	Aug 2005	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006
Grant County	Actual	4.6%	4.0%	3.9%	3.4%	3.2%	3.6%	4.1%	4.6%	5.7%	5.3%	4.4%	4.0%	4.5%
	Typical	5.0%	4.5%	4.5%	3.6%	3.6%	3.8%	4.2%	5.8%	6.1%	6.0%	4.9%	4.1%	5.0%
	Difference	-0.4%	-0.5%	-0.6%	-0.2%	-0.4%	-0.2%	-0.1%	-1.2%	-0.4%	-0.7%	-0.5%	-0.1%	-0.5%
Green County	Actual	4.4%	4.5%	4.0%	3.6%	3.3%	3.5%	3.8%	4.9%	5.7%	5.4%	4.7%	4.3%	4.5%
	Typical	4.5%	4.3%	3.5%	3.2%	3.0%	2.9%	2.8%	4.7%	5.3%	5.3%	4.5%	4.1%	4.5%
	Difference	-0.1%	0.2%	0.5%	0.4%	0.3%	0.6%	1.0%	0.2%	0.4%	0.1%	0.2%	0.2%	0.0%
Iowa County	Actual	3.9%	3.3%	3.3%	3.4%	2.9%	3.5%	4.4%	5.3%	6.1%	5.9%	4.6%	3.8%	3.8%
	Typical	3.4%	3.1%	2.8%	2.6%	2.5%	2.8%	3.5%	5.5%	6.4%	6.2%	4.1%	3.2%	3.4%
	Difference	0.5%	0.2%	0.5%	0.8%	0.4%	0.7%	0.9%	-0.2%	-0.3%	-0.3%	0.5%	0.6%	0.4%
Lafayette County	Actual	4.3%	3.7%	3.5%	3.3%	3.1%	3.4%	3.8%	4.9%	5.9%	5.5%	4.2%	3.8%	4.4%
	Typical	4.5%	3.9%	3.8%	3.2%	3.2%	3.3%	3.4%	5.0%	5.6%	5.5%	4.4%	3.7%	4.5%
	Difference	-0.2%	-0.2%	-0.3%	0.1%	-0.1%	0.1%	0.4%	-0.1%	0.3%	0.0%	-0.2%	0.1%	-0.1%
Richland County	Actual	4.1%	3.7%	3.4%	3.4%	3.2%	3.9%	4.5%	4.7%	5.5%	5.2%	4.5%	4.3%	4.8%
	Typical	4.3%	3.9%	3.6%	3.5%	3.4%	3.9%	4.4%	5.5%	6.3%	6.1%	4.6%	3.7%	4.3%
	Difference	-0.2%	-0.2%	-0.2%	-0.1%	-0.2%	0.0%	0.1%	-0.8%	-0.8%	-0.9%	-0.1%	0.6%	0.5%
Rock County	Actual	5.4%	8.7%	5.0%	4.7%	4.5%	4.8%	5.0%	5.4%	5.9%	5.6%	5.1%	4.7%	5.2%
	Typical	6.0%	7.0%	5.4%	5.0%	5.0%	4.8%	4.4%	6.5%	6.4%	6.1%	5.3%	5.4%	6.0%
	Difference	-0.6%	1.7%	-0.4%	-0.3%	-0.5%	0.0%	0.6%	-1.1%	-0.5%	-0.5%	-0.2%	-0.7%	-0.8%

** Includes labor force participants residing in area. Estimates are **NOT** seasonally adjusted. Current month estimates are preliminary and subject to revision. Numbers 2,000 and greater are rounded to nearest 100. Numbers under 2,000 are rounded to nearest 10. Sub-units may not add to totals due to rounding. Calculations are based on unrounded numbers. Results are rounded. For more information call (608) 242-4885 or email dan.barroilhet@dwd.state.wi.us.

Southwest Wisconsin Employment-by-Industry Estimates - not seasonally adjusted

	Grant			Green		
	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005
Total jobs, all indstries*	18,400	- 200	- 1.1%	15,700	500	3.3%
Const., min'g & nat. resources	710	10	1.9%	680	40	5.5%
Manufacturing	2,600	- 170	- 6.1%	3,500	50	1.6%
Trade (w holesale & retail)	2,900	170	6.4%	2,800	50	1.8%
Transport, Wrhsing, Utilities	470	- 10	- 1.8%	350	20	6.7%
Financial activities	1,030	60	6.5%	430	0	0.7%
Education & health services	2,500	20	0.8%	2,100	50	2.3%
Leisure & hospitality	1,380	- 50	- 3.6%	1,200	- 10	- 1.2%
Info, prof, bus. & other srvcs	2,300	50	2.2%	2,500	360	16.5%
Government	4,600	- 290	- 5.8%	2,000	- 60	- 2.8%

	Madison MSA Includes Columbia, Dane & Iowa counties			Lafayette		
	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005
Total jobs, all indstries*	350,700	7,400	2.2%	3,600	- 10	- 0.1%
Const., min'g & nat. resources	17,300	- 130	- 0.8%	160	10	3.4%
Manufacturing	34,100	1,970	6.1%	530	10	2.3%
Trade (w holesale & retail)	50,100	- 900	- 1.8%	770	0	0.4%
Transport, Wrhsing, Utilities	8,600	70	0.8%	190	0	0.5%
Financial activities	28,900	- 270	- 0.9%	140	- 10	- 6.9%
Education & health services	35,300	870	2.5%	220	0	0.3%
Leisure & hospitality	31,000	370	1.2%	280	10	4.0%
Info, prof, bus. & other srvcs	63,800	3,800	6.3%	320	- 10	- 4.0%
Government	81,600	1,630	2.0%	1,020	- 10	- 1.4%

	Richland			Janesville MSA		
	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005	Apr-Jun 2006 average	Change from Apr-Jun 2005	Change from Apr-Jun 2005
Total jobs, all indstries*	6,400	80	1.2%	70,200	330	0.5%
Const., min'g & nat. resources	190	10	3.6%	3,700	230	6.8%
Manufacturing	1,720	10	0.3%	14,800	30	0.2%
Trade (w holesale & retail)	1,200	0	- 0.2%	13,500	830	6.6%
Transport, Wrhsing, Utilities	130	0	2.1%	3,000	- 30	- 1.1%
Financial activities	160	- 30	- 14.9%	2,100	100	5.0%
Education & health services	790	20	2.9%	8,900	- 370	- 4.0%
Leisure & hospitality	420	- 10	- 1.6%	6,300	- 270	- 4.0%
Info, prof, bus. & other srvcs	600	50	8.2%	9,300	0	0.0%
Government	1,180	30	2.8%	8,600	- 200	- 2.3%

*Includes jobs with employers in area. Estimates are NOT seasonally adjusted. Current month estimates are preliminary and subject to revision. Numbers 2,000 and greater are rounded to nearest 100. Numbers under 2,000 are rounded to nearest 10. Sub-units may not add to totals due to rounding. Calculations are based on unrounded numbers. Results are rounded. For more information call (608) 242-4885 or email dan.barroilhet@dwd.state.wi.us.